

E-002/M-92-614 ORDER ACCEPTING PLAN AND REQUIRING NOTICE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Northern States
Power Company's Plan for the
Deregulation of Customer-owned
Street Lighting Maintenance

ISSUE DATE: October 26, 1992

DOCKET NO. E-002/M-92-614

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REQUIRING NOTICE

PROCEDURAL HISTORY

On May 24, 1989, the Commission issued its ORDER APPROVING TARIFF in Docket No. E-002/M-88-677.¹ In that Order the Commission approved a new tariff proposed by Northern States Power Company (NSP or the Company). The tariff would allow the Company to offer repair and maintenance services for customer-owned street lighting.

In the May 24, 1989 Order, the Commission stated that "The Commission finds that the repair and maintenance of customer-owned street lighting is a competitive service." Because the service was new and generated few revenues, and because the administrative costs of separating repair services from the regulated portion of the Company would be prohibitive, all agreed that the service would remain regulated for the time being.

On November 27, 1991, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in Docket No. E-002/GR-91-1², NSP's last general rate case. In that Order the Commission found that continued regulation of the street lighting repair and maintenance service would be inconsistent with the fact that customers can obtain such services from other electrical contractors. At Order Paragraph No. 16 of the November 27, 1991 Order, the Commission stated:

¹ In the Matter of Northern States Power Company's Request to Offer Maintenance and Repair Service to Customers That Own Street-lighting Equipment.

² In the Matter of the Application of Northern States Power Company for Authority to Increase Its Rates for Electric Service in the State of Minnesota.

NSP's maintenance service for customer-owned equipment is deregulated herewith.

Within 60 days of this Order, NSP shall file its proposed accounting and allocation procedures for removing this service from regulated operations.

Any proposals that the Company may wish to file regarding standards for customer-owned equipment maintenance contractors shall be filed within 60 days of this Order.

In the Commission's February 19, 1992 ORDER AFTER RECONSIDERATION in the general rate case, the Company was granted a time extension until July 1, 1992 in which to file its street lighting maintenance compliance filing.

On June 30, 1992, NSP filed its plan for deregulating customer-owned street lighting maintenance and repair services.

Between August 12 and August 19, 1992, comments were received from the National Electrical Contractors Association (NECA), the Department of Public Service (the Department) and the Minnesota Alliance for Fair Competition (MAC).

Reply comments were filed by the Department on August 25, 1992 and by the Company on August 28, 1992.

The matter came before the Commission for consideration on October 8, 1992.

FINDINGS AND CONCLUSIONS

I. The Deregulation Plan

NSP currently has approximately 550 customers on its street lighting maintenance service. Existing service contracts are from one to five years in duration. The Company plans to maintain existing charges to current customers until the contracts expire or are renegotiated. The Company established a separate accounting system for the lighting maintenance and repair service as of July 1, 1992.

II. Comments of the Parties

The Department

The Department recommended that the Company's deregulation plan be approved. The Department stated that the Company's plan properly allocates revenues and costs associated with the service to the Company's nonregulated business. The Department believed that the Company's proposed plan would ensure that cross-subsidization would not occur between the Company's regulated and unregulated entities.

NECA and MAC

NECA and MAC raised issues of cross-subsidization and continued monopoly practices in a nonregulated entity. NECA and MAC were not satisfied that NSP's proposed accounting system would protect competitors from the effects of cross-subsidization. The trade organizations also believed that customers would be confused by the close relationship between NSP's regulated enterprise, which would continue to sell lighting, and NSP's nonregulated enterprise, which would maintain the lighting. The trade organizations urged the Commission to require NSP to provide notice of deregulation to its customers, and to share its customer lists with competitors.

NSP

NSP argued that its proposed accounting system would properly allocate costs and revenues between its regulated and nonregulated entities. The Company contended that the issues raised by the trade organizations were implementation issues which should be discussed in NSP's next general rate case and not in this docket.

III. Commission Analysis

The Commission finds that NSP's proposed deregulation plan for its street lighting maintenance and repair service fulfills the requirements of the Commission's directive in its November 27, 1991 Order. The Company's proposed accounting system will properly allocate costs between NSP's regulated and nonregulated entities, and will provide a sufficient basis for monitoring possible cross-subsidization. NSP's allocation methods are similar to methods which the Commission has found appropriate and helpful in other dockets.

The Commission finds that many of the concerns raised by the parties are related to the implementation of the deregulation plan and documentation of actual cost allocation. These issues will be addressed in the Company's next general rate case.

The parties have also raised broader issues of fair competition between regulated utilities and other entities. The Commission finds that issues of fair competition and the development of a competitive market for deregulated services are not within the scope of this docket. There is an ongoing Commission docket in which such concerns are presently being address, Docket No. G,E-999/CI-90-1008.³ The trade organizations may wish to pursue their concerns regarding fair competitive practices within that docket.

³ In the Matter of an Investigation into the Competitive Impact of Appliance Sales and Service Practices of Minnesota Gas and Electric Utilities.

In order to ensure that ratepayers and competitors are not harmed by the deregulation of NSP's maintenance and repair service, the Commission will impose two requirements on the Company. First, the Commission will require that the Company maintain records sufficient to permit an audit of allocation factors and direct and indirect charges for street lighting maintenance. This will ensure that the Department and the Commission can monitor the possibility of cross-subsidization on an ongoing basis. Second, the Commission will require NSP to file a proposed customer notice with the Commission within 30 days. The Company will be required to serve a Commission-approved version of a notice of deregulation upon all customer-owned street lighting customers.

ORDER

1. NSP's proposed plan for deregulating its customer-owned street lighting maintenance and repair service is approved.
2. Within 30 days of the date of this Order, the Company shall file a proposed customer notice of the deregulation of the service. The notice shall be mailed to all customer-owned street lighting customers in the next possible monthly billing after the notice is approved by the Commission.
3. The Company shall maintain records sufficient to permit audit of allocation factors and direct and indirect charges to street light maintenance.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)